

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
2010 Quadrennial Regulatory Review – Review	)	MB Docket No. 09-182
of the Commission’s Broadcast Ownership	)	
Rules and Other Rules Adopted Pursuant to	)	
Section 202 of the Communications Act of	)	
1996	)	
	)	
Promoting Diversity of Ownership In the	)	MB Docket No. 07-294
Broadcasting Services	)	
	)	
Rules and Policies Concerning Attribution of	)	MB Docket No. 04-256
Joint Sales Agreements in Local Television	)	
Markets	)	

**EX PARTE SUBMISSION OF MISSION BROADCASTING, INC.**

Mission Broadcasting, Inc. (“Mission”) hereby submits this statement for the record in the above-captioned proceedings.

As the Commission is aware, Mission is the licensee of eighteen full-power television stations in seventeen markets throughout the U.S. In most of its markets, Mission has entered into joint sales agreements (“JSAs”) and shared services agreements (“SSAs”) with Nexstar Broadcasting, Inc. (“Nexstar”).<sup>1</sup> Mission has been active in pointing out the many benefits to its stations’ viewers and communities that have resulted from its sharing arrangements with Nexstar, and in opposing rules that would restrict such sharing arrangements and thereby endanger the public interest benefits these

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<sup>1</sup> In two of its markets, Mission is a party to local marketing agreements with Nexstar which were entered into prior to November 5, 1996.

arrangements have engendered.<sup>2</sup>

For several years now, as these proceedings have pended and debate has intensified, Mission has noted the pervasive and pejorative comments and statements by opponents of television sharing arrangements as to the supposed nature of the companies which enter into them. Earlier in these proceedings, Mission felt constrained to file reply comments refuting various suggestions that it, and other parties to sharing arrangements, are somehow empty “shells” created by their partners in such arrangements.<sup>3</sup> Yet these distorted characterizations have persisted in the comments of public interest groups and other advocates bent on unwinding arrangements that have buttressed the television industry and benefited the public in manifold ways. Perhaps the leading purveyor of these misconceptions is Free Press, which has consistently denounced sharing arrangements as “legal fictions designed specifically to evade the Commission’s broadcast ownership rules”<sup>4</sup> and parties to such arrangements as “shell companies,”<sup>5</sup> and whose October 2013 “study,” submitted in these proceedings in December 2013, contains a rash of misstatements about the nature of sharing arrangements and, in particular, the relationship between Mission and Nexstar.<sup>6</sup>

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<sup>2</sup> See Ex Parte Notice of Mission and Nexstar in MB Dockets 09-182, 04-256 and 10-71 (Feb. 26, 2014); see also Reply Comments of Mission in MB Dockets 09-182 and 07-294 (Jan. 4, 2013); Reply Comments of Mission in MB Dockets 09-182 and 07-294 (Apr. 17, 2012).

<sup>3</sup> See Reply Comments of Mission in MB Dockets 09-182 and 07-294 (Apr. 17, 2012).

<sup>4</sup> See Ex Parte Letter of Free Press in MB Docket 09-182 (Dec. 5, 2013).

<sup>5</sup> See Ex Parte Letter of Free Press in MB Docket 09-182 (Mar. 7, 2014).

<sup>6</sup> Free Press, “Cease to Resist: How the FCC’s Failure to Enforce Its Rules Created a New Wave of Media Consolidation” (the “Free Press Study”), submitted together with an ex parte letter to Chairman Wheeler on December 3, 2013. In an ex parte letter submitted on March 10, 2014, Nexstar has comprehensively refuted many of the assertions in the Free Press Study as to Mission and the Mission/Nexstar relationship. See Ex Parte Letter of Nexstar in MB Dockets 10-71, 09-182, 07-294 and 04-256 (Mar. 10, 2014) at 3-7.

What is even more disturbing, though, is the extent to which Commission leadership has bought into these misconceptions. On March 6, 2014, both Chairman Wheeler and his senior counselor posted items on the FCC's official blog, with the apparent purpose of both announcing and defending a forthcoming agency action making television JSAs attributable to the seller of the advertising time. The Chairman's post offered this "plain English" depiction of JSAs:

. . . [I]t means these larger stations selling the advertising are the de facto owners of smaller stations – owning all of the assets, retaining a significant amount of profits and programming all of the news hours. . . . [B]y any reasonable standard, these smaller stations in the JSAs are not independent.<sup>7</sup>

The Chairman's senior counselor, in his companion post, similarly posited that "the nominal owners and managers of the dependent stations in sidecar arrangements have little economic interest or practical ability to control what the stations do."<sup>8</sup>

With the Commission scheduled to take action to attribute television JSAs in little more than a week, and with agency leadership evidently sharing certain advocates' distorted world-view on the nature of companies which enter into sharing arrangements with in-market partners, it is incumbent on Mission to balance sweeping generalization with the following facts:

1. **Mission is owned and managed by experienced television veterans.**

Two individuals – Nancie Smith and Dennis Thatcher – comprise Mission's shareholders, officers and directors. They cannot even remotely be considered "nominal owners and

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<sup>7</sup> Tom Wheeler, Chairman, FCC, "Protecting Television Consumers By Protecting Competition," Official FCC Blog (Mar. 6, 2014), at <http://www.fcc.gov/blog/protecting-television-consumers-protecting-competition>.

<sup>8</sup> Phil Verveer, Senior Counselor to Chairman Wheeler, "How the Sidecar Business Model Works," Official FCC Blog (Mar. 6, 2014), at <http://www.fcc.gov/blog/how-sidecar-business-model-works>.



managers.” Neither has a family connection to Nexstar, and both have substantial track records in the television industry. Nancie Smith is Mission’s majority stockholder and Chairman (making Mission the largest female-controlled television broadcast company in the country). Ms. Smith is the widow of the late David Smith, Mission’s former stockholder, whose ownership of television stations dated back to the 1990’s. Nancie Smith was actively involved with her husband’s television business from the beginning, and she continues to play an active role in the operation of Mission’s stations.

Dennis Thatcher, Mission’s President, is a nearly 40-year veteran of the television industry. Mr. Thatcher has served in corporate and station management positions for Paxson Communications, Eagle Creek Broadcasting and Malrite Communications Group, among others.

2. **Mission actively controls programming and other operational aspects of its stations.** Far from having little “practical ability to control what the stations do,” Mission’s executives maintain active control over station programming and the company’s employees. Aside from the less than 15% of weekly programming which Nexstar provides pursuant to SSAs, Mission retains full control of its stations’ programming. Mr. Thatcher selects programming and negotiates, reviews and enters into Mission’s agreements with affiliated networks and program syndicators.

3. **Mission owns a significant amount of assets.** The allegation that the “larger stations” in a sharing arrangement own all of the partner station’s assets may or may not be true for other relationships, but it is false with respect to Mission. Attachment A hereto contains excerpts from the Form 10-K that Mission recently filed with the SEC. These excerpts include balance sheets showing that, as of December 31, 2013, Mission

owned assets valued at nearly \$175 million, including property and equipment of almost \$27 million. Attachment A also includes a listing from the Form 10-K of Mission-owned and Mission-leased real property, which includes numerous office, studio and tower site properties associated with Mission's stations.

4. **Mission has substantial revenue, and pays just a small fraction of that revenue to Nexstar.** The statements of operations in Mission's most recent Form 10-K, excerpted in Attachment A, show that Mission had total revenue of over \$68 million in 2013. Only \$9.7 million of that revenue (roughly 14%) was paid to Nexstar in SSA fees. Like any other business enterprise, the vast majority of Mission's expenses are in operating expenses, amortization, depreciation, and loan service. Nexstar does not "retain[] a significant amount of profits" from Mission's stations.

It is regrettable that Mission must once again endeavor to clarify and balance the record of these proceedings. But the Commission appears poised to take action to attribute television JSAs based, in large part, on generic and misguided notions of the nature of sharing agreement parties which have been advanced by opponents of such arrangements and, apparently, adopted by Commission leadership. By this submission, Mission seeks to emphasize that any decision to attribute JSAs will, from Mission's perspective, be based on considerations other than the facts.

RESPECTFULLY SUBMITTED,

MISSION BROADCASTING, INC.

\_\_\_\_\_  
/s/

Dennis P. Thatcher  
President/Chief Operating Officer

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Dated: March 21, 2014

## ATTACHMENT A

**MISSION BROADCASTING, INC.**  
**BALANCE SHEETS**  
(in thousands, except share information)

	December 31,	
	2013	2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,716	\$ 318
Accounts receivable, net of allowance for doubtful accounts of \$96 and \$30, respectively	5,059	3,610
Current portion of broadcast rights	1,390	962
Due from Nexstar Broadcasting, Inc.	-	512
Deferred tax assets	8,160	933
Prepaid expenses and other current assets	231	122
Total current assets	18,556	6,457
Property and equipment, net	26,760	21,518
Goodwill	32,489	18,730
FCC licenses	41,563	21,939
Other intangible assets, net	24,038	10,195
Deferred tax assets	25,727	30,416
Deposits on station acquisitions	150	6,000
Other noncurrent assets, net	5,466	4,126
Total assets	<u>\$ 174,749</u>	<u>\$ 119,381</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current portion of debt	\$ 2,334	\$ 330
Current portion of broadcast rights payable	1,454	1,261
Due to Nexstar Broadcasting, Inc.	3,847	-
Accounts payable	723	364
Accrued expenses	2,345	1,274
Interest payable (Note 7)	27	6,268
Other current liabilities	401	296
Total current liabilities	11,131	9,793
Debt (Note 7)	230,131	362,531
Other liabilities	8,080	7,828
Total liabilities	249,342	380,152
Commitments and contingencies		
Shareholders' deficit:		
Common stock - \$1.00 par value, 1,000 shares authorized, issued and outstanding as of each of December 31, 2013 and 2012	1	1
Subscription receivable	(1)	(1)
Contra equity due from Nexstar Broadcasting, Inc. on debt issuance (Note 7)	-	(189,924)
Accumulated deficit	(74,593)	(70,847)
Total shareholders' deficit	(74,593)	(260,771)
Total liabilities and shareholders' deficit	<u>\$ 174,749</u>	<u>\$ 119,381</u>

The accompanying Notes are an integral part of these Financial Statements.



**MISSION BROADCASTING, INC.**  
**STATEMENTS OF OPERATIONS**  
(in thousands)

	Years Ended December 31,		
	2013	2012	2011
Net broadcast revenue	\$ 28,971	\$ 18,610	\$ 18,933
Revenue from Nexstar Broadcasting, Inc.	39,513	33,352	27,800
Net revenue	68,484	51,962	46,733
Operating expenses (income):			
Direct operating expenses, excluding depreciation and amortization	14,550	7,320	7,797
Selling, general, and administrative expenses, excluding depreciation and amortization	3,058	2,887	4,507
Fees incurred pursuant to local service agreements with Nexstar Broadcasting, Inc.	9,740	7,740	7,190
Amortization of broadcast rights	6,034	4,239	4,646
Amortization of intangible assets	6,762	5,081	5,531
Depreciation	3,535	2,853	3,143
Loss (gain) on asset disposal, net	177	(155)	190
Total operating expenses	43,856	29,965	33,004
Income from operations	24,628	21,997	13,729
Interest expense, net	(16,181)	(15,037)	(14,681)
Loss on extinguishment of debt	(14,332)	(233)	-
Other expense	(302)	-	-
(Loss) income before income taxes	(6,187)	6,727	(952)
Income tax benefit (expense)	2,441	40,515	(749)
Net (loss) income	\$ (3,746)	\$ 47,242	\$ (1,701)

The accompanying Notes are an integral part of these Financial Statements.

## Item 2. Properties

We own and lease facilities in the following locations:

Station Metropolitan Area and Use	Owned or Leased	Approximate Size	Expiration of Lease
WYOU—Wilkes Barre-Scranton, PA			
Office-Studio <sup>(1)</sup>	—	—	—
Tower/Transmitter Site—Penobscot Mountain	100% Owned	120.33 Acres	—
Tower/Transmitter Site—Bald Mountain	100% Owned	7.2 Acres	—
Tower/Transmitter Site—Williamsport	33% Owned	1.35 Acres	—
Tower/Transmitter Site—Sharp Mountain	33% Owned	0.23 Acres	—
WAVV—Terre Haute, IN			
Office-Studio <sup>(1)</sup>	—	—	—
Tower/Transmitter Site	100% Owned	1 Acre	—
WFXP—Erie, PA			
Office-Studio <sup>(1)</sup>	—	—	—
Tower/Transmitter Site <sup>(1)</sup>	—	—	—
KJTL/KJBO-LP—Wichita Falls, TX—Lawton, OK			
Office-Studio <sup>(1)</sup>	—	—	—
Tower/Transmitter Site	Leased	40 Acres	1/30/15
Tower/Transmitter Site	Leased	5 Acres	Year to Year
KODE—Joplin, MO-Pittsburg, KS			
Office-Studio	100% Owned	2.74 Acres	—
Tower/Transmitter Site	Leased	215 Sq. Ft.	4/30/27
KRBC—Abilene-Sweetwater, TX			
Office-Studio	100% Owned	5.42 Acres	—
Office-Studio	100% Owned	19,312 Sq. Ft.	—
Tower/Transmitter Site <sup>(1)</sup>	—	—	—
KTVE—Monroe, LA-El Dorado, AR			
Office-Studio <sup>(1)</sup>	—	—	—
Tower/Transmitter Site	Leased	2 Acres	4/30/32
Tower/Transmitter Site – El Dorado	Leased	3 Acres	4/30/32
Tower/Transmitter Site – Bolding	Leased	11.5 Acres	4/30/32
KSAN—San Angelo, TX			
Office-Studio <sup>(1)</sup>	—	—	—
Tower/Transmitter Site	Leased	10 Acres	5/15/15
KOLR—Springfield, MO			
Office-Studio	100% Owned	30,000 Sq. Ft.	—
Office-Studio	100% Owned	7 Acres	—
Tower/Transmitter Site	Leased	0.5 Acres	5/12/21
KCIT/KCPN-LP—Amarillo, TX			
Office-Studio <sup>(1)</sup>	—	—	—
Tower/Transmitter Site	Leased	100 Acres	5/12/21
Tower/Transmitter Site—Parmer County, TX	Leased	80 Sq. Ft.	Month to Month
Tower/Transmitter Site—Guyman, OK	Leased	80 Sq. Ft.	Month to Month
Tower/Transmitter Site—Curry County, NM	Leased	6 Acres	Month to Month
KAMC—Lubbock, TX			
Office-Studio <sup>(1)</sup>	—	—	—
Tower/Transmitter Site	Leased	40 Acres	5/12/21
Tower/Transmitter Site	Leased	1,200 Sq. Ft.	Month to Month

KHMT—Billings, MT			—	—	—
Office-Studio <sup>(1)</sup>			Leased	4 Acres	5/12/21
Tower/Transmitter Site					
WUTR—Utica, NY					
Office-Studio			100% Owned	12,100 Sq. Ft.	—
Tower/Transmitter Site			100% Owned	21 Acres	—
Tower/Transmitter Site-Mohawk			Leased	48 Sq. Ft	Month to Month
WTVO—Rockford, IL					
Office-Studio-Tower/Transmitter Site			100% Owned	20,000 Sq. Ft.	—
WTVW—Evansville, IN					
Office-Studio <sup>(1)</sup>			—	—	—
Tower/Transmitter Site			Leased	16.36 Acres	5/12/21
KLRT/KASN—Little Rock-Pine Bluff, AR					
Office-Studio <sup>(1)</sup>			—	—	—
Tower/Transmitter Site-Redfield			100% owned	1,625 Sq. Ft.	—
Tower/Transmitter Site-Redfield			100% owned	120 Acres	—
Tower/Transmitter Site-Pulaski			Leased	0.23 Acres	5/12/21
WVNY-Burlington, VT-Plattsburgh, NY					
Office-Studio <sup>(1)</sup>			—	—	—
Tower/Transmitter Site <sup>(1)</sup>			—	—	—
Corporate Office—Westlake, OH			Leased	640 Sq. Ft.	11/30/14

(1) These locations used by the stations are owned by Nexstar.